

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1444 - HB 1958

March 21, 2011

SUMMARY OF BILL: Decreases, from five to four percent, the maximum rate municipal governments are authorized to assess for a hotel occupancy tax.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – \$11,530,400

Assumptions:

- According to the Department of Revenue (DOR), over 70 counties assess a hotel tax with rates ranging from two to seven percent. The average rate falls between four and five percent. Davidson, Hamilton, Knox and Shelby counties all assess the tax at a rate near five percent.
- According to the DOR, state retail sales for hotel and lodging places were approximately \$1,971,000,000 in FY09-10. Approximately 75 percent of sales are subject to the local hotel occupancy tax at an average rate of five percent.
- There are 438 local governments statewide. Municipalities represent 78 percent of all jurisdictions.
- Based on information provided by the DOR, reducing the maximum rate from five to four percent will reduce local revenue by approximately \$11,530,350 [$\$1,971,000,000 \times 75\% \times 78\% \times (5\% - 4\%)$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White".

James W. White, Executive Director

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